GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1813
ANSWERED ON:26.07.2002
BANKS CASH RECORD TRANSACTIONS
PRABHUNATH SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether the attention of the Government has been drawn to the news-items captioned `RBI pins lapses in bank cash record transactions` and `CVC spots banks violating norms` appearing in the Indian Exptess and Times of India both dated May 20, 2002 respectively;

(b) if so, the facts reported therein;

(c) the details of action taken point-wise;

(d) whether CVC asked the RBI in April, 2000 to bring sweeping changes in the banking frauds guidelines;

(e) if so, the details of action taken thereon;

(f) whether the RBI has asked Commercial Banks to strictly follow RBI in keeping record of cash deposits or withdrawals of RS.1 0 lakhs and above; and

(g) if so, the action taken by the Commercial Banks in following the instructions?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANT G. GEETE)

(a): Yes, Sir.

(b) & (c):- Reserve Bank of India (RBI) has reported that following a tip off from Enforcement Directorate a scrutiny` was conducted at branches of five Kerala based private sector and other banks in Mumbai which revealed that large cash deposits/transfer! withdrawals were allowed by them. Although there was no loss to the banks it was revealed that the banks failed to follow the RBI prescribed procedures for opening of accounts and recordingl reporting large value cash transactions and allowed large unaccounted money to be moved through banking channels.
At the instance of RBI, Central Vigilance Commission had set up a High Level Group to look into the certain matters relating to frauds in banking sector. The Group inter-alia examined the reasons for inordinate delay in banks taking action against officials involved in frauds and recommended measures for reducing delay and strengthen the internal control system with a view to prevent the frauds.

The Board of Financial Supervision in RBI had set up a committee on Legal Aspects of Bank Frauds. It submitted its report in September 2001. The.recommendations of the Committee are development of best practice code (BPC), system of internalisation of BPC, internal check and internal control, legal compliance certifICate in all transactions exceeding a value limit,legal compliance audit, data building On the exercise of discretionary power and monitoring thereof, liability of the accounting and auditing profession etc. which reQtJired no legislative changes for implementation were accepted by the RBI and advised to all scheduled commercial banks excluding Regional Rural Banks for implementation.

(d) & (e):- RBI has reported that the Central Vigilance Commission has not asked for any changes in April 2000 in the guidelines for prevention of frauds in banks.

(f) & (0):- RBI has asked banks to closely monitor cash deposits and withdrawals of RS.10lakts and above in deposit and other accounts like cash credit and overdraft, etc. by branches and maintain a separate register to record details of such transactions. Banks were also advised to strictly adhere to the extant instructions regarding opening and monitoring of accounts.